

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L SANTIAGO 5619

E.O. 11652: GDS
TAGS: ECON, EGEN, PINT, SHUM, CI
SUBJ: PRESS COMMENTS ON KENNEDY/HARKIN BANKING AMENDMENT

REF: (A) SANTIAGO 4718, (B) SANTIAGO 0835

1. CONSERVATIVE DAILY EL MERCURIO CARRIED AP STORY DATED JULY 24 REPORTING ON PROPOSED KENNEDY-HARKIN BANKING AMENDMENT CALLING FOR PUBLIC DISCLOSURE OF PRIVATE U.S. BANK LENDING TO HABITUAL HUMAN RIGHTS VIOLATORS.

2. JULY 27 MORNING EDITION OF LA TERCERA FEATURED PAGE 4 INTERVIEW WITH FORMER CHILE AMBASSADOR JORGE CAUAS, NOW PRESIDENT OF THE BANK OF SANTIAGO. CAUAS STATED THAT QUOTE THE ATTITUDE OF SENATOR KENNEDY IS EXTREMELY TROUBLESOME AND IN CONTRADICTION WITH THE PRINCIPLES OF ECONOMIC FREEDOM WHICH THE U.S. HAS CONSISTENTLY DEFENDED UNQUOTE. THE INTERVIEW ALSO CARRIES COMMENTS BY SERGIO DE LA CUADRA, VICE PRESIDENT OF CHILE'S CENTRAL BANK TO THE EFFECT THAT THE KENNEDY-HARKIN INITIATIVE IS IRRELEVANT TO THE ECONOMIC WELL-BEING OF THE COUNTRY. DE LA CUADRA NOTES THE WIDE DISTRIBUTION OF LENDING SOURCES AND THE OFFERS PRESENTLY ON THE TABLE. BY WAY OF SUBSTANTIATING DE LA CUADRA'S COMMENTS THE ARTICLE CONCLUDES WITH AN ENUMERATION OF THE NINE SUPPLIER CREDIT LINES AVAILABLE TO CHILE FOR IMPORTS OF CAPITAL
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GOODS AND REFERRING TO DISCUSSION ON REPLENISHMENT OF THE DM 100 MILLION DEUTSCH SUDAMERIKANISCHE BANK CREDIT. THE ARTICLE NOTES THAT DM 5.87 MILLION REMAINS UNUSED AND THAT NEGOTIATIONS ARE UNDERWAY FOR A NEW DM 30 MILLION CREDIT LINE.

3. COMMENTS: AS REPORTED REF (A) THE CENTRAL BANK FORESAW BORROWING PROBLEMS AS FALLOUT FROM THE LETELIER/MOFFITT CASE.

THE BANK IN RESPONSE HAS ADOPTED A POLICY OF INCREASING FOREIGN RESERVES FROM THE PRESENT LEVEL OF \$1.198 BILLION TO A PROJECTED LEVEL OF \$1.5 BILLION. THE SUPPLIER CREDIT LINES REFERRED TO BY LA TERCERA WERE REPORTED IN REF B. THE PRIVATE SECTOR HAS HAD SOME DIFFICULTY IN UTILIZING THESE CREDITS. OF THE TOTAL \$615.6 MILLION IN LINES OPENED IN 1977 \$373 MILLION REMAINS UNUSED. HOWEVER, A \$75 MILLION FIRST CHICAGO CREDIT HAS BEEN COMPLETELY DRAWDOWN. IN 1977 THESE 9 SUPPLIER CREDIT FINANCED 34 PERCENT OF CHILE'S TOTAL CAPITAL GOODS IMPORTS. HOWEVER, THE KEY TO CHILE'S CAPITAL INFLOWS IS NOT THE SUPPLIER CREDITS, BUT RATHER SYNDICATED AND NON-SYNDICATED LOANS WHICH AS OF MID-1978 TOTAL \$905 MILLION.M
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